

ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

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AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission  
DOCKETED

OCT 25 2006

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IN THE MATTER OF THE APPLICATION OF  
SHEPARD WATER COMPANY FOR FINANCING  
APPROVAL.

DOCKET NO. W-01537A-99-0100

IN THE MATTER OF THE APPLICATION OF  
SHEPARD WATER COMPANY FOR AN  
INCREASE IN RATES.

DOCKET NO. W-01537A-99-0296

PROCEDURAL ORDER

BY THE COMMISSION:

On November 19, 1999, the Arizona Corporation Commission ("Commission") issued Decision No. 62091 which authorized Shepard Water Company ("Shepard" or "Company") to enter into a WIFA loan in the amount of \$299,475 and granted Shepard a rate increase.

On August 7, 2006, Shepard filed a Progress Report regarding completion of Phase I of the surcharge authorized in Decision No. 62091 and requested authorization to proceed to Phase II of the surcharge.

On September 12, 2006, by Procedural Order, the Commission's Utilities Division ("Staff") was ordered to file a response to Shepard's request no later than September 29, 2006.

On September 29, 2006, Staff filed its response and recommended the following:

- that the Company's request to implement the Phase II surcharge approved in Decision No. 62091 be denied;
- that the Company prepare an accounting of all Phase I surcharge collections and file with Docket Control, as a compliance item in this Docket, a summary of amounts collected as of the date of Shepard's response to this recommendation, but in no event later than October 31, 2006; and
- that the Company file both a financing application and a general rate application on or before December 31, 2006, using a September 30, 2006 test year. The filing should also provide documentation to support the arsenic treatment facilities and indicate whether Shepard it is in compliance with Arizona Department of Environmental Quality's ("ADEQ") safe drinking water requirements.

1 Staff further indicated that Shepard is in general agreement with its recommendations  
2 described above.

3 On October 13, 2006, by Procedural Order, the Company was ordered to file its response to  
4 Staff's recommendations.

5 On October 20, 2006, the Company filed its Response to Staff's recommendations as set forth  
6 above. Shepard indicated that Phase I "construction has not yet begun but is anticipated to begin  
7 shortly." The Company indicated further that it would timely file, by October 31, 2006, an  
8 accounting of all Phase I surcharge collections and file, by December 31, 2006, using a September  
9 30, 2006, test year a financing application and a general rate case along with documentation to  
10 support the arsenic treatment facilities and indicate whether Shepard is in compliance with ADEQ  
11 safe drinking water requirements.

12 Accordingly, the recommendations made by Staff should be adopted.

13 IT IS THEREFORE ORDERED that the request of Shepard Water Company to implement its  
14 Phase II surcharge pursuant to Decision NO. 62091 is hereby denied at this time.

15 IT IS FURTHER ORDERED that Shepard Water Company shall file, no later than October  
16 31, 2006, with the Commission's Docket Control, as a compliance item in this docket, an accounting  
17 of all Phase I surcharge collections through October 20, 2006.

18 IT IS FURTHER ORDERED that Shepard Water Company shall file no later than December  
19 31, 2006, a financing application and a general rate application, which utilizes a September 30, 2006  
20 test year together with documentation to support the arsenic treatment facilities and documentation  
21 which indicates whether it is in compliance with the safe drinking water requirements of ADEQ.

22 IT IS FURTHER ORDERED that if Shepard water Company fails to comply with the above  
23 Ordering paragraphs, then Staff shall take whatever steps are necessary to secure said compliance up  
24 to and including the filing of a Complaint or Order to Show Cause.

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1 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
2 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

3 Dated this 25<sup>th</sup> day of October, 2006



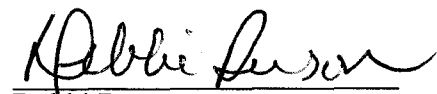
6 MARC E. STERN  
7 ADMINISTRATIVE LAW JUDGE

8 Copies of the foregoing mailed/delivered  
9 this 25<sup>th</sup> day of October, 2006 to:

9 Wade Noble  
10 1405 W. 16<sup>th</sup> Street, Ste. A  
11 Yuma, AZ 85364  
12 Attorney for Shepard Water Company

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18 By:   
19 Debbi Person  
20 Secretary to Marc E. Stern  
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